

“Echo Effect” Slows Region’s Real Estate

With a slower influx of newcomers, home prices in local markets in the Mountain West will likely get a bit more local, which will probably mean more months of flat or modestly decreasing values.

By Robert Stuckman, 6-13-08

“If you can’t sell your house in Phoenix or LA, you can’t buy one here,” said Sandpoint-based Eacret, president of Real Estate Economics.

The so-called equity refugees—those retired schoolteachers and others who bought homes a few decades ago for \$60,000 and then resold them last year for \$600,000 and moved to the hinterlands—helped to fuel a housing boom across the Mountain West.

Unlike the biggest boom markets in California and Florida, for instance, home prices in this region never pushed into the stratosphere. Construction of new homes remained relatively modest. That’s not to say that prices here haven’t outstripped incomes. They have. But with a slower influx of newcomers with several hundred thousand dollars burning holes in their pockets, home prices in local markets in the Mountain West will likely get a bit more local, which will probably mean more months of flat or modestly decreasing values.

What does that mean for the real estate pockets in our region?

“It doesn’t mean it’s going to be good, but it’s not going to be catastrophic, either,” Eacret said.

The fundamental forces behind growth in the Mountain West haven’t really changed. Home prices remain modest, compared to many markets around the nation. The Baby Boomers—that big demographic watermelon in the water hose of life—remain on the brink of large-scale-but-active retirement. It seems likely those Boomers will continue to drift to this region, bringing discretionary income and a consumer habits with them.

Still, there are more question marks on the horizon than a year ago. When will the credit markets settle down? How high will gas prices and airfares go? (Those factors could significantly increase costs and slow business growth in the region.) How long will the national real estate markets continue to deflate? [RealtyTrak](#) just came out with its latest numbers, showing that May was the 29th month of year-over-year increases in foreclosure filings. The final question is, how bad will the national economy get? And for how long?

Downturns in home prices tend to take years and years to work themselves out, because people will tend to remain in a home—if they can—if selling it will put them in a financial hole. That’s why foreclosures are such an interesting indicator to watch. Foreclosures are forced sales, and they simply drive prices down, down, down.

So..., what's the foreclosure picture? In the region, foreclosures remain low, relative to other parts of the nation. Wyoming, 44th, and Montana, 43rd, had the lowest rankings of the Mountain West, according to RealtyTrak's May numbers. Washington is 27th. Oregon is 23rd. Idaho is 17th. Utah is 16th. Colorado is ninth.

As for the overall foreclosures, they seem to be leveling somewhat. We'll just have to wait and see.